



PSC NEWS

Missouri Public Service Commission

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FY-02-104

SPRINT TO CHANGE VARIOUS TELEPHONE RATES UNDER PRICE CAP FILING

Jefferson City (December 7, 2001)---Sprint Missouri, Inc. d/b/a Sprint (Sprint) will be changing a number of its telephone charges under a price cap filing approved by the Missouri Public Service Commission. These rate changes will take effect on December 11, 2001. Sprint serves approximately 276,900 access lines in Missouri.

In 1996, the Missouri Legislature passed and the Governor signed a bill (Senate Bill 507) which granted pricing flexibility (called price cap regulation) to certain telephone companies such as Sprint, if those companies could demonstrate that an alternative local telephone company was providing basic local telephone service in its service territory.

Sprint demonstrated to the Missouri Public Service Commission in August of 1999 that an alternative local telephone company was providing basic local telephone services in its service territory. As a result, Sprint was given price cap regulation joining Southwestern Bell Telephone Company and Verizon as telephone companies in Missouri under such regulation. **Under price cap regulation, these companies are no longer required to file a rate case with the Missouri PSC to change their rates for various services. Under the state law, telephone rate changes must be filed with the Missouri PSC. The PSC then ensures that those changes comply with the law.**

Price cap regulation allows maximum prices for basic local telephone service to change based on a consumer price index adjustment and rate rebalancing. The consumer price index adjustment allows the maximum rates for basic local service rates to annually change up or down based on relatively conservative government price indexes, which are based on the price of telephone services throughout the country. In addition to the consumer price index adjustment, state law allows price cap regulated companies to perform rate rebalancing. Specifically, rate rebalancing allows a company to increase basic monthly telephone rates, once a year, by no more than \$1.50 a month, up to a maximum overall increase of \$6.00 over a four-year period. The additional revenue generated by rate rebalancing are offset by

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decreases in access charges paid to Sprint by long-distance carriers for access to the Sprint telephone system to carry a long-distance call.

Sprint's filing has performed both the consumer price index adjustment and rate rebalancing. These combined adjustments will raise Sprint's average residential local rate by approximately \$1.40 a month. In addition, select non-basic telephone service (such as call forwarding and call waiting) rates will increase by approximately 8 percent. The access expense reductions provided to long-distance carriers are expected to eventually reduce toll rates.

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